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LISTING STATEMENT NO. 2404

LISTED OCTOBER 9, 1969.
4,158,260 Shares without par value of which
80,000 are subject to issuance.
Stock Symbol "SRC".
Post Section 2.2.
Dial Quotation No. 2312.

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

SCOTT'S RESTAURANTS CO. LIMITED

A Company continued under The Corporations Act (Ontario) by
Letters Patent of Amalgamation dated May 21, 1968

CAPITALIZATION AS AT SEPTEMBER 25, 1969

SHARE CAPITAL	AUTHORIZED	ISSUED AND OUTSTANDING	TO BE LISTED
Shares without par value *of which 80,000 are subject to issuance	5,000,000	4,078,260	4,158,260*

1. APPLICATION
- SCOTT'S RESTAURANTS CO LIMITED (the "Company") hereby makes application for the listing on The Toronto Stock Exchange for 4,158,260 shares (the "Shares") without par value of the Company of which 4,078,260 have been issued and are outstanding and fully paid and non-assessable. The remaining 80,000 Shares included in this application have been reserved for issue (a) as to 20,000 thereof upon the exercise of options granted pursuant to the Company's Employee Stock Option Plan and (b) as to 60,000 thereof upon the exercise of an option granted to a director and senior officer of the Company.
2. REFERENCE TO PROSPECTUS
- Reference is made to the attached prospectus (the "Prospectus") issued by the Company under date of September 12, 1969, with respect to the offering by the Company of 900,000 Shares, which Prospectus is hereby incorporated in this application and made part thereof. Particulars of the incorporation, history, business and properties of the Company and its subsidiaries are set forth in the Prospectus.
3. SHARES ISSUED SINCE AMALGAMATION
- Upon amalgamation at May 21, 1968, 1,024,418 common shares without par value and 81,400 5% non-cumulative redeemable non-voting preference shares with a par value of \$10.00 each in the capital of the Company (as then constituted) were issued to the shareholders of Scott's Restaurants Limited and Scott's Catering Limited. All of the said 81,400 5% non-cumulative redeemable non-voting preference shares with a par value of \$10.00 each in the capital of the Company (as then constituted) were subsequently redeemed.
- On May 23, 1968, 2 common shares without par value (as then constituted) were issued for an aggregate cash consideration of \$2.00 or \$1.00 per common share, to adjust shareholdings arising on amalgamation.
- On May 24, 1968, 25,000 common shares without par value (as then constituted) were issued for an aggregate cash consideration of \$25,000, or \$1.00 per common share to a director and senior officer of the Company in connection with employment arrangements.
- On July 25, 1968, 5,000 common shares without par value (as then constituted) were issued for an aggregate cash consideration of \$5,000 or \$1.00 per common share to a director and senior officer of the Company in connection with employment arrangements.
- By Supplementary Letters Patent issued to the Company on May 22, 1969, the authorized capital of the Company was decreased by cancellation of 18,600 authorized 5% non-cumulative redeemable non-voting preference shares with a par value of \$10.00 each, subdividing each existing common share without par value into three Shares without par value, and increasing the authorized capital of the Company by the creation of an additional 500,000 Shares without par value ranking on a parity in all respects with the 4,500,000 authorized Shares without par value after subdivision.

As disclosed under the heading "Interest of Management and Others in Material Transactions" on page 11 of the Prospectus, on May 26, 1969, an option was exercised in respect of 15,000 Shares without par value in the capital of the Company at and for an aggregate cash consideration of \$12,500 or \$0.83-1/3 per Share.

On September 24, 1969, 900,000 Shares without par value of the capital were issued pursuant to an Underwriting Agreement then in existence between the Company, as issuer, and Gardiner, Watson Limited and Graham, Armstrong Securities Ltd., as underwriters, at and for an aggregate cash consideration of \$5,085,000 or \$5.65 per Share. Reference is made to the heading "Use of Proceeds" on Page 8 of the Prospectus.

4. **VOTING RIGHTS**

Reference is made to the heading "Description of Shares" on page 8 of the Prospectus.

5. **DIVIDEND RECORD**

Reference is made to the heading "Dividend Record" on page 10 of the Prospectus.

6. **SUBSIDIARY COMPANIES**

Reference is made to the headings "The Company" and "Business of the Company" on page 3 of the Prospectus. The Company's wholly-owned subsidiary, Scott's Restaurants (Québec) Limited — Les Restaurants Scott (Québec) Limitée, carries on in the Province of Québec the same business as is carried on by the Company in the Province of Ontario.

7. **FUNDED DEBT**

The Company has no funded debt but reference is made to the heading "Capitalization" on page 6 of the Prospectus.

8. **STOCK OPTIONS**

Reference is made to the heading "Options to Purchase Shares" on page 11 of the Prospectus.

9. **LISTING ON OTHER STOCK EXCHANGES**

Application is being made by the Company to list the Shares to which reference is made herein on The Montreal Stock Exchange.

10. **STATUS UNDER SECURITIES ACT**

The Ontario Securities Commission issued its final receipt dated September 15, 1969, acknowledging receipt of the material required under The Securities Act, 1966 (Ontario), relating to the offering by the Company of 900,000 Shares. The Alberta Securities Commission issued its final receipt dated September 12, 1969, acknowledging receipt of the material required under The Securities Act, 1967 (Alberta), relating to the offering by the Company of 900,000 Shares. The Québec Securities Commission issued its letter of permission dated September 16, 1969, acknowledging receipt of the material required under The Securities Act (Québec) relating to the offering by the Company of 900,000 Shares.

11. **FISCAL YEAR**

The fiscal year of the Company ends on December 31, in each year.

12. **ANNUAL MEETING**

The by-laws of the Company provide that the annual meeting of shareholders shall be held at such place within Ontario at such time and on such day in each year not more than fifteen months after the previous annual meeting as the Board, or the President, or a Vice-President who is a director, may from time to time determine. The last annual meeting of the shareholders of the Company was held on February 26, 1969.

13. **HEAD OFFICE**

The head office of the Company is located at 2000 Jane Street, Weston, Ontario.

14. **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Shares is Montreal Trust Company at its principal offices in the cities of Montreal, Toronto and Calgary.

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale.

NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATIONS TO THE CONTRARY IS AN OFFENCE

New Issue



(an amalgamated Company continued under the laws of Ontario)

900,000 Shares

(without par value)

There is no market for the shares of the Company and the price for this offering was determined by negotiation between the Company and the Underwriters.

The Company's dividend policy is described under "Dividends" on page 10.

In the opinion of counsel, these Shares will be an investment in which the Canadian and British Insurance Companies Act states that a company registered under Part III thereof may, without availing itself for that purpose of the provisions of subsection (4) of Section 63 of the said Act, invest its funds.

The purchasers of the shares offered hereby will suffer an immediate dilution based on book value. Reference is made to "Dilution Factor" on page 2.

Price: \$6 per share

An application has been made to list the Shares of the Company offered by this prospectus on the Toronto and Montreal Stock Exchanges. Acceptance of the listings will be subject to the filing of required documents and evidence of satisfactory distribution, both within 90 days.

We, as principals, offer these Shares subject to prior sale, if, as and when issued and accepted by us and subject to the approval of all legal matters on our behalf by Messrs. McCarthy & McCarthy, Toronto, who are also solicitors for the Company.

	<u>Price to public</u>	<u>Underwriting discount</u>	<u>Proceeds to Company (1)</u>
Per share	\$6	\$0.35	\$5.65
Total	\$5,400,000	\$315,000	\$5,085,000
(1) Before deduction of expenses of the offering estimated at approximately \$40,000.			

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that share certificates in definitive form will be available for delivery on or about September 24, 1969.

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Purchaser's Statutory Rights of Withdrawal and Rescission

Sections 63 and 64 of The Securities Act, 1966 (Ontario) and sections 63 and 64 of The Securities Act, 1967 (Alberta) provide, in effect, that where a security is offered to the public in the course of primary distribution:

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent; and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the aforesaid Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

Dilution Factor

Upon completion of the financing, the 4,078,260 shares to be outstanding will have a net tangible book value, including the value of the franchises acquired by Scott's from Foster's Restaurants Limited and others as described under "Purchase of Assets" on page 7, of approximately \$1.50 per share. The purchasers of the shares offered by this prospectus at a price of \$6 per share are suffering an immediate dilution in net tangible book value of their shares equal to approximately \$4.50 per share. It should be noted, however, that the net tangible book value does not include any amount for the franchises held by Scott's as described under "Colonel Sanders Kentucky Fried Chicken Franchises" on page 3, such franchises having been acquired by Scott's without cost.

The Company

Scott's Restaurants Co. Limited is an amalgamated company under the laws of the Province of Ontario and is a continuation of Scott's Restaurants Limited ("Restaurants") and Scott's Catering Limited ("Catering") by letters patent of amalgamation dated May 21, 1968. Restaurants was incorporated under the laws of the Province of Ontario by letters patent dated June 19, 1937 under the name "Bowles Lunch Limited". On March 18, 1957, its name was changed by supplementary letters patent to Restaurants. Catering was incorporated under the laws of the Province of Ontario by letters patent dated June 17, 1952 under the name "Food Services Management Limited". By supplementary letters patent dated September 9, 1963 its name was changed to Catering. By supplementary letters patent dated May 22, 1969 the capitalization of the Company was changed to its present form. The head office of the Company is located at 2000 Jane Street, Toronto, Ontario. The Company caused to be incorporated a wholly-owned subsidiary Scott's Restaurants (Quebec) Limited—Les Restaurants Scott's (Quebec) Limitée, under the laws of the Province of Quebec by letters patent dated October 26, 1965.

Hereafter in this prospectus Scott's Restaurants Co. Limited is referred to as the "Company" and, together with its wholly-owned subsidiary, is referred to as "Scott's".

Business of the Company

Scott's has been actively engaged in the food service industry since 1937. For some period thereafter the business was carried on largely in the Toronto and Ottawa area and consisted of the operation of a chain of restaurants catering to men only under the name "Bowles Lunch". Following World War II, as the eating habits of the country changed and "eating out" became more widespread and gradually a national habit, the Company began to expand and branch out into more diversified areas of the retail food business.

In 1952 Scott's entered the Industrial Catering business, followed by an expansion of its restaurant operations. In 1962 the opening of franchised locations for the sale of Colonel Sanders Kentucky Fried Chicken commenced and in 1963 its first Highway Service Centre was opened.

In 1968 the Company's capital and corporate structure was reorganized to consolidate its various operations.

Presently the business of the Company is divided into three main divisions: the Colonel Sanders Kentucky Fried Chicken Take Out Shops, the Restaurant and Highway Service Centre Operations, and Industrial Catering. Scott's estimates that, in 1968, it served in excess of 9,500,000 customers in Ontario and Quebec.

Colonel Sanders Kentucky Fried Chicken Franchises

The Company has been granted until December 31, 1994 by agreements (the "Colonel Sanders Franchises") between the Company and Col. Sanders Kentucky Fried Chicken, Ltd. as Licensor, dated January 1, 1969, the exclusive license and franchise (except as hereinafter referred to) to use, in connection with the preparation and sale of prepared chicken, (a) the name, autograph, portrait, photograph and other likeness of Colonel Harland Sanders, (b) the phrases "KENTUCKY FRIED CHICKEN", "COLONEL SANDERS' RECIPE", "IT'S FINGER LICKIN' GOOD", "NORTH AMERICA'S HOSPITALITY DISH" and other related phrases, and (c) the Licensor's trade names, licenses, copyrights, patents and methods of preparation including the secret recipe for a special blend of seasoning and egg-and-milk wash and any other food preparations which may be developed from time to time by the Licensor during the course of the agreement.

The Colonel Sanders Franchises cover the whole of the Province of Quebec (except for 5 locations in Quebec City, 2 in Sherbrooke, 1 in Granby, 1 in Chicoutimi, 1 in Rouyn, 1 in Val D'or, 1 in Lennoxville and 1 in the City of Montreal) and the whole of Metropolitan Toronto, the whole of Metropolitan Ottawa and District, and the whole of the Cities of Oshawa, Whitby, Brampton and Galt (except for 1 location) in the Province of Ontario. The Colonel Sanders Franchises also relate to the exclusive use of the said rights in connection with Highway Service Centres along the Macdonald-Cartier Freeway (Highway 401) from

Windsor, Ontario to Montreal, Quebec. In the event that a Colonel Sanders Kentucky Fried Chicken Take Out Shop is closed by Scott's as an undesirable location, Scott's has 2 years within which to open a Colonel Sanders Kentucky Fried Chicken Take Out Shop within 2 miles of that original location, failing which such 2 mile area reverts to the Licensor. Reference is also made to "Purchase of Assets" on page 7.

Scott's connection with "Kentucky Fried Chicken" dates back to 1962 when the Company first obtained the franchises for the Metropolitan areas of Toronto and Ottawa.

Colonel Harland Sanders has become one of the most widely known persons in the retail food industry and "Kentucky Fried Chicken" and the phrases used commonly in connection therewith are advertised internationally on radio and television extensively in the United States and Canada. Accordingly, the face of Colonel Sanders and the phrase "Kentucky Fried Chicken" are well known in both countries. Apart, therefore from advertising directed to Scott's market, Scott's derives the benefit of visitors to Ontario and Quebec from the United States and other parts of Canada encountering a food product with which they are familiar.

In consideration for the rights granted by the Colonel Sanders Franchises, Scott's pays to the Licensor a monthly royalty based on the number of chickens purchased for use pursuant to the Colonel Sanders Franchises during that month. In 1968, Scott's paid by way of royalties to the Licensor under such Franchises, an aggregate of \$121,150.

In addition, Scott's is obligated to share on a proportionate basis with other licensees in Canada according to numbers of chickens sold, the costs of national Canadian advertising of "Colonel Sanders Kentucky Fried Chicken" including radio and television. In its financial year ended December 31, 1968, Scott's paid to the Licensor \$24,230 as its share of such costs.

Colonel Sanders Kentucky Fried Chicken Take Out Shops

Scott's operates a chain of Colonel Sanders Kentucky Fried Chicken Take Out Shops under the name "Scott's Chicken Villa" which feature the distinctive food product, "Colonel Sanders Kentucky Fried Chicken", with a variety of salads and beverages as complementary items.

At the present time, including those referred to under "Purchase of Assets" on page 7, the Company operates a total of 50 Colonel Sanders Kentucky Fried Chicken Take Out Shops. Of these, 18 locations are in Metropolitan Toronto, 7 in Metropolitan Ottawa and 15 in various other centres all in the Province of Ontario, and 10 in the Province of Quebec of which 6 are located in Metropolitan Montreal. In addition to these, the Company is presently negotiating, or has completed negotiations, for an aggregate of 27 new locations in the Provinces of Ontario and Quebec, of which 7 are under construction at present and of which 17 are planned for completion by January, 1970. Reference is made to "Capital Expenditures" on page 12 for a statement of the approximate capital cost of a Colonel Sanders Kentucky Fried Chicken Take Out Shop.

In addition the Company is actively searching for additional sites for future expansion, and further acquisitions of sites for Colonel Sanders Kentucky Fried Chicken Take Out Shops are anticipated during the current year.

The operation of the Company's Colonel Sanders Kentucky Fried Chicken Take Out Shops is commissary oriented; that is, the food products retailed to the public are purchased and distributed by the Company to its various retail locations from commissaries located in Toronto, Peterborough, Ottawa and Montreal. These commissaries pre-cut the chicken to the special specifications required by the Colonel Sanders Franchises and ship the product fresh (not frozen) and ready for cooking in special refrigerated trucks to each location as required. These commissaries processed approximately 2,830,000 chickens in 1968. The Company utilizes from time to time the services of an average of six poultry suppliers in Ontario and Quebec to ensure a constant source of supply and the least susceptibility to market conditions, and purchases at prices basically controlled by the Ontario Poultry Marketing Board.

The chicken commissaries of the Company in each of Toronto, Peterborough, Ottawa and Montreal also supply its Colonel Sanders Kentucky Fried Chicken Take Out Shops with a variety of fresh salads which are sold to complement the Colonel Sanders Kentucky Fried Chicken. In 1968 these commissaries

produced in excess of 1,155,000 lbs. of salad for sale in its Colonel Sanders Kentucky Fried Chicken Take Out Shops.

Scott's Restaurants, Highway Service Centres and Take Five Shops

Scott's operates six table service restaurants in Metropolitan Toronto and one in downtown Ottawa. Of these, five are licensed premises for the sale of alcoholic beverages and three of these feature the sale of "Colonel Sanders Kentucky Fried Chicken". These restaurants, with seating capacities varying from 50 to 160 customers, are all operated on leased premises. Two of these locations in Toronto also have banquet facilities available for 50 and 175 people.

In addition to the restaurants, Scott's also operates seven Highway Service Centre restaurant and snack bar combinations on the MacDonald-Cartier Freeway (Highway 401) in the Province of Ontario. Reference is made to "Colonel Sanders Kentucky Fried Chicken Franchises" on page 4. These locations are operated under lease from the particular Oil Company which controls the individual site through a head lease with the Department of Highways. Six of these are in conjunction with Texaco Canada Limited, and one with Supertest Petroleum Corporation. These operations, because of increasing highway travel and the limitation placed on the number of Highway Service Centres allowed by the Department of Highways of Ontario, offer an increasing number of customers for each such location.

Scott's has recently embarked on a new concept called "Take Five Shops". The prototype of this concept, located in Don Mills, Ontario, is designed to service locations which do not warrant the capital cost necessary for a full scale restaurant operation. Scott's intention is to develop this concept on the basis of a central commissary distributing daily to "Take Five Shop" locations as they are established. The advantage to the Company of this type of operation is the relatively small amount of space needed to accommodate it, the small capital cost of establishment and the minimal amount of personnel required to operate this type of unit. The initial response to the prototype operation has been satisfactory and further development of this concept is anticipated.

Scott's Catering

Scott's provides a variety of food catering services to industrial and large office buildings and presently operates in 21 various locations in the Metropolitan area of Toronto. In this facet of its operations, Scott's generally provides full meal cafeteria services, and, where required, Executive and Supervisory Dining Room Services. Such services are granted on a competitive bid basis and call for no appreciable capital expenditure by Scott's.

Scott's also owns and places food and beverage vending machines in Toronto and Ottawa, Ontario. These machines are usually located in office buildings and industrial plants as a supplement to cafeteria operations for the purpose of servicing at relief periods and on night and weekend shifts. Scott's presently has 107 such machines in operation.

Mobile coffee wagon services are provided in several large buildings in Toronto.

Other Activities

Because of satisfaction with the operation of its Colonel Sanders Kentucky Fried Chicken Take Out Shops and its awareness generally of the recent trend in business towards nationwide operations on a franchise basis, Scott's is investigating the possibilities of acquiring and operating franchises in fields not necessarily restricted to the food service industry. It has accordingly, by agreement (the "Esplen Agreement") made as of March 1, 1969, with Mr. Robert M. Esplen (formerly the owner and Chief Executive Officer of Jiffy Foods Limited of Toronto) entered into partnership for the purpose of investigating all aspects of the franchising business in the broadest sense and, if thought advisable, establishing pilot operations, franchising and leasing of such operations and the acquiring of franchises in various fields. Under the Esplen Agreement, Scott's shares profits and losses of the partnership to the extent of 75% and is committed to finance the operations of the partnership to the extent of \$15,000 plus 75% of additional capital agreed to be necessary by the partners. Mr. Esplen, who shares in the profits and losses of the partnership to the extent of 25%, has agreed to contribute \$5,000 to the partnership and is obliged to contribute the remaining

25% of any such additional capital required. The Esplen Agreement provides that each partner has a right of first refusal with respect to the other's interest in the partnership and that each has the right at any time to call upon the other partner to sell his interest in the partnership to the party making such call at a stated price, subject to the right of the partner so called upon, at his option, to require the partner who made such call to sell his interest in the partnership to the recipient of such call at the same price, adjusted only to reflect the variance in the interests of the partners in the partnership. The day to day operation of the partnership will be the responsibility of Mr. Esplen. Scott's experience in the operation of its Kentucky Fried Chicken Take Out Shops, together with Mr. Esplen's business experience, will make available to the partnership the know-how and management experience necessary to operate and develop franchise opportunities. The partnership is presently actively engaged in investigating the feasibility of operating fish and chip take out shops and present plans call for a pilot location to be open for business in late 1969.

Management and Employees

Over the years, Scott's has developed a management team having broadly diversified skills which is familiar with the food service industry. The average age of the 12 most senior executives is 52. The same 12 officers and employees have an average length of service with Scott's and its predecessors of 18 years.

Scott's employees have increased in number from approximately 600 in 1965 to approximately 1120 at present, of which approximately 40 are employed in administration. Employee relations are considered satisfactory.

Real Property and Leases

Until May of 1968, Scott's had carried on a substantial portion of its operations, on and in land and buildings owned by it directly. As part of its reorganization and the consolidation of its various operations which was effected on May 21, 1968, Scott's, as more particularly described under "Interest of Management in Material Transactions" on page 11, sold to Bowles Enterprises (1968) Limited all of the real property and improvements thereon then owned by it in the Provinces of Quebec and Ontario. All of the real property so sold by Scott's was leased back to Scott's by the purchaser.

Since that time the Company has acquired 10 parcels of real property on which are located operating Colonel Sanders Kentucky Fried Chicken Take Out Shops and 4 parcels on which Colonel Sanders Kentucky Fried Chicken Take Out Shops are being constructed and which will be in operation by the end of September, 1969. The remaining locations operated by Scott's are under lease as to either the land alone or as to the land and buildings with annual minimum rentals payable therefor approximating \$350,000 per annum through at least 1972. Certain of such leases provide for additional rentals, calculated with reference to sales in excess of stipulated amounts. The aggregate of such additional rentals incurred by the Company during its 1968 financial year amounted to \$180,000. Reference is made in this connection to "Purchase of Assets" and "Capital Expenditures" on pages 7 and 12 respectively.

Capitalization				
	Authorized and to be authorized	Outstanding May 18, 1969	Outstanding July 11, 1969	To be outstanding upon completion of this financing
INDEBTEDNESS:				
Bank indebtedness (1).....	\$500,000	—	\$300,000	—
SHARE CAPITAL: (2)				
Shares without par value (3).....	5,000,000 shs.	3,163,260 (\$135,856)	3,178,260 (\$148,356)	4,078,260 shs. (\$5,233,356)

NOTES: (1) Bank indebtedness, as it may be required from time to time, is collaterally secured by a 7¼% Demand Debenture in the principal amount of \$500,000 which has been pledged to and is held by, Scott's bankers. This Debenture is secured by a first floating charge on the undertaking, property and assets of Scott's.

- (2) This table gives effect to the issue of supplementary letters patent dated May 22, 1969 cancelling all of the authorized preference shares of Scott's, subdividing the issued shares of the Company on a 3 for 1 basis and increasing its authorized capital to its present level as if the same had occurred prior to May 18, 1969. Prior to the issue of such supplementary letters patent, the authorized capital of the Company consisted of 18,600 unissued 5% non-cumulative redeemable non-voting preference shares of \$10 each and 1,500,000 common shares without par value ("old common shares") of which 1,054,420 old common shares were issued and outstanding. 81,400 preference shares had previously been issued as fully paid and non-assessable and subsequently redeemed. The old common shares were originally issued for a consideration of \$135,856. This statement also reflects the exercise on May 26, 1969 of an option to purchase 5,000 old common shares of the Company at a price of \$2.50 per share. In addition to this paid up share capital, the Company at May 18, 1969 had consolidated retained earnings amounting to \$940,151.
- (3) An aggregate of 80,000 shares have been reserved for allotment under the Company's proposed stock option plan and under the existing stock option referred to under "Options to Purchase Shares" on page 11.
- (4) Reference is made to Note 5 to the financial statements and to "Real Property and Leases" on page 6 for details of lease commitments.

Plan of Distribution

Under an agreement dated September 12, 1969, with Gardiner, Watson Limited and Graham Armstrong Securities Ltd., as joint underwriters, the Company agreed to sell and the underwriters agreed to purchase the 900,000 Shares offered by this prospectus for an aggregate consideration of \$5,085,000, payable in cash against delivery of certificates for such Shares on or about September 24, 1969. The agreement provides that, subject to certain conditions contained in the underwriting agreement, the underwriters are obligated to take up and pay for all the Shares offered by this prospectus if any of such Shares are purchased. The Shares offered by this prospectus will be sold to the public by the underwriters or, where required, through other registered dealers and brokers. Reference is made to "Interests of Management in Material Transactions" on page 11.

Purchase of Assets

By an agreement (the "Agreement") dated July 14, 1969, between Foster's Restaurants Limited, David E. Foster, Carole Isabel Foster, and Godfrey T. Kayser, Carole Isabel Foster and Haig Kelly in trust for Cheryl Mary Ann Foster (collectively hereinafter referred to as the "Vendors") and the Company, as purchaser, the Company agreed to purchase from the Vendors all of their real and leasehold property, franchises, undertaking and assets, as a going concern, used by them in connection with the operation of 8 Colonel Sanders Kentucky Fried Chicken Take Out Shops at the following locations: 973 Simcoe Street in Oshawa, Ontario; Dundas Street East and Highway 2 at Trenton, Ontario; 97 Station Street in Belleville, Ontario; 504 Division Street in Cobourg, Ontario, 63 Lindsay Street in Lindsay, Ontario, and 264 Water Street, Highway 28 North, and 786 Chemong Road at Peterborough, Ontario. The location at Highway 28 North at Peterborough is also operated as a drive-in. The assets purchased include: (a) franchises (the "franchises") from Colonel Harland Sanders Kentucky Fried Chicken, Ltd. with respect to each such location; (b) certain real property of the Vendors, comprising the locations at Highway 28, Peterborough; 63 Lindsay Street, Lindsay; 973 Simcoe Street, Oshawa; 264 Water Street, Peterborough; 97 Station Street, Belleville; 504 Division Street, Cobourg; and Dundas Street East and Highway 2, Trenton; (c) a lease held by the Vendors covering the locations at Chemong Road, Peterborough; and (d) various furniture, fixtures, vehicles, equipment and inventories of food and paper products owned by the Vendors and used in connection with the business at the said locations.

The purchase price to be paid by the Company pursuant to the Agreement was \$1,153,484 (allocated among the various assets being purchased as provided in the Agreement, reference to which is made in Note 1 (d) to the financial statements of the Company appearing on page 13) for all of the said assets and was determined by negotiation between the parties. The transaction was completed on July 14, 1969, except for the completion of the purchase by the Company of the Dundas Street and Highway 2 location at Trenton. In that case, the Vendors have granted a lease of the property to the Company until such time as the Vendors are able to transfer the said property to the Company with a clear title thereto and, pending such transfer, \$75,000, being the portion of the total purchase price allocated to such property, was not and will not be paid by the Company.

The consent of Colonel Harland Sanders Kentucky Fried Chicken, Ltd. to the assignment by the Vendors to the Company of the franchises acquired by the Company under the Agreement was obtained

prior to completion of the transaction. The various franchises acquired were substantially similar as to terms and conditions to the Colonel Sanders Franchises presently held by the Company and referred to under "Colonel Sanders Kentucky Fried Chicken Franchises" on page 3, save that each was for a period of 10 years expiring variously between October, 1970 and October, 1978. It is, however, an express provision of the Colonel Sanders Franchises for Ontario referred to under "Colonel Sanders Kentucky Fried Chicken Franchises" on page 3 that the territory covered by the Colonel Sanders Franchises shall from time to time be extended to include the territory of any other Licensee (the Vendors) whose license or business is transferred to or taken over by the Company. The effect, therefore, of the acquisition by the Company of these franchises was to extend the term thereof until December 31, 1994.

Audited financial statements of Foster's Restaurants Limited presented to the Company by the Vendors indicate that Foster's Restaurants Limited has been a profitable operation during the past five years.

With regard to this purchase of assets and payment of the purchase price therefor, reference is also made to "Use of Proceeds" on page 8 and "Material Contracts" on page 10.

Use of Proceeds

The net proceeds to the Company from the sale of the Shares offered by this prospectus, amounting to \$5,085,000, before deducting expenses of the issue estimated at approximately \$40,000, will be used (a) to reduce bank indebtedness incurred for the purpose of financing the acquisition of the undertaking and assets referred to under "Purchase of Assets" on page 7, to the extent of approximately \$1,000,000, (b) to defray the balance of the capital expenditures planned by the Company for 1969 and referred to under "Capital Expenditures" on page 12 which balance at July 13, 1969, amounted to \$2,325,000, and (c) to augment the working capital of the Company, to the extent of the balance.

Description of Shares

The holders of Shares have exclusive voting rights, are entitled to one vote in respect of each Share held, are entitled to receive dividends thereon as and when declared by the board of directors out of funds available therefor, and, in the event of liquidation or dissolution and after payment of all outstanding debts, are entitled to a pro rata distribution of the remaining assets of the Company. The Shares offered hereby will, if, as, and when issued pursuant to the terms of the underwriting agreement, be issued as fully paid and non-assessable.

Directors and Officers

The names and home addresses in full of the directors and officers of the Company, the positions and offices held by each and the principal occupation of each during the past five years are as follows:

<u>Name and Address</u>	<u>Office</u>	<u>Principal Occupation</u>
GEORGE RYERSON GARDINER... 259 Dunvegan Road, Toronto, Ontario.	Chairman of the Board.... and Director	For the past 5 years the President of Gardiner, Watson Limited, stockbrokers.
JOHN JOSEPH LEON..... 20 Torrington Drive, Etobicoke, Ontario.	President and Director.....	In 1964 the General Manager of Scott's Restaurants Limited and in 1965 through 1967, its President. From 1968 to the pres- ent, the President of the Company.
JOHN ELMER COLES..... 444 Prince Edward Drive, Toronto, Ontario.	Vice-President and..... Director	In 1964 the General Manager of Scott's Catering Limited and in 1965 through 1967, its President. From 1968 to the present, a Vice-President of the Company.

FRANCIS RONALD GRAHAM.....	Vice-President and.....	For the past 5 years, Chairman of Graham, Armstrong Securities Ltd., investment dealers and Vice-Chairman of Oswald Drinkwater & Graham Ltd., stockbrokers.
1550 MacGregor, PH. 1, Montreal 25, Quebec.	Director	
WILLIAM JOHN BUSHNELL.....	Secretary-Treasurer and....	For the past 5 years, the Treasurer of Gardiner, Watson Limited, stockbrokers
8 Elderwood Drive, Toronto, Ontario.	Director	
EDMUND VICTOR GRAHAM.....	Assistant-Secretary.....	For the last 5 years, the Assistant Secretary of the Company.
133 Mineola Road East, Port Credit, Ontario.		
FREDERICK ROSS JOHNSON.....	Director.....	In 1964-5, the Director of Marketing for Lamp Division of Canadian General Electric Company Limited, manufacturers. In 1966, the Director of Personnel and Divisional Personnel Manager for the Pacific Division of The T. Eaton Co. Limited and later that year its Company Merchandise Manager. From October 1966 to the present, the Executive Vice-President of General Steel Wares Limited.
7 Ashley Park Road, Islington, Ontario.		
HELEN DORIS PHELAN.....	Director.....	For the past 5 years, from time to time a director of several companies, including the Company.
8 Old Forest Hill Road, Toronto, Ontario.		
ROBERT ALLEN STEVENS.....	Director.....	In 1964 the General Manager of the Housewares Division of General Steel Wares Limited, manufacturers. From 1965 to 1967 the General Manager of the Beatty Division of that company, and from November 1967 to the present, its General Manager, Appliance Division. Mr. Stevens is also the President and Treasurer of Beatty Bros. Limited.
1588 Hillside Drive, London, Ontario.		
THE HON. SALTER ADRIAN.....	Director.....	Senior Partner of Messrs. McCarthy & McCarthy, barristers and solicitors, and Member of the Senate of Canada.
HAYDEN, Q.C. 140 Heath Street West, Toronto, Ontario.		

Principal Shareholders

The following table lists each shareholder who owns, beneficially or of record as at July 12, 1969, more than 10% of the outstanding Shares of the Company:

	Type of Ownership	Number of Shares Owned	Percentage of Class
Judine Company Limited, ⁽⁴⁾ 335 Bay Street, Toronto, Ontario.	Beneficial	768,315 ⁽¹⁾	24.2%
Langar Company Limited, ⁽⁴⁾ P.O. Box 48, Toronto-Dominion Centre, Toronto, Ontario.	Beneficial	768,315 ⁽²⁾	24.2%
Graymont Limited, ⁽⁴⁾ 715 Victoria Square, Montreal, Quebec.	Beneficial	1,536,630 ⁽³⁾	48.4%

- (1) Of which 768,312 are owned of record.
- (2) Of which 768,313 are owned of record.
- (3) Of which 1,536,628 are owned of record.
- (4) Judine Company Limited is beneficially wholly-owned in equal parts by each of three irrevocable trusts in favour respectively of the three children of George R. Gardiner. William J. Bushnell and Helen D. Phelan are each a trustee of one of such trusts, in which trusts neither has any beneficial interest. One of the partners of Campbell, Lawless & Punchard, the auditors of the Company, is a trustee of one of such trusts in which he has no beneficial interest. Langar Company Limited is beneficially wholly-owned in equal parts by four irrevocable trusts in favour respectively of the four children of Helen D. Phelan. George R. Gardiner is the Trustee of one of such trusts. The remaining three trusts are administered by three individual trustees, each of whom is a partner of Messrs. McCarthy & McCarthy, solicitors of the Company. None of the said trustees have any beneficial interest in any of such trusts. Graymont Limited is beneficially wholly-owned by F. Ronald Graham, several of his brothers and sisters, and members of their families. Mr. Graham beneficially owns 10% of the issued and outstanding common shares of Graymont Limited and, together with his children, beneficially owns 11.51% of such shares.

Reference is made to "Interest of Management in Material Transactions" on page 11.

As at July 12, 1969, the directors and senior officers of the Company, as a group, beneficially owned, directly or indirectly, 105,000 Shares of the Company, being approximately 3.2% of the then outstanding Shares.

Dividend Record

The Company has paid the following dividends during the last five completed financial years:

	<u>Preference Shares</u>	<u>Common Shares</u>
1964.....	Nil	Nil
1965.....	\$1.00 per share	\$.39 per share
1966.....	Nil	Nil
1967.....	Nil	\$.01 per share
1968.....	\$.50 per share	\$.33 per share

The dividends stated to be paid on the shares of the Company have been adjusted to reflect the conversion and issuance of shares of the Company which took place pursuant to the amalgamation agreement effective May 21, 1968 as if such conversion and issuance had occurred on January 1, 1964 and to reflect the 3 for 1 subdivision of common shares effected May 22, 1969. Reference is made to "The Company" on page 3. No dividends have been declared or paid since December 31, 1968.

Material Contracts

Except for contracts entered into in the ordinary course of business, the only contracts entered into by the Company within the two years prior to the date of this prospectus, are the following:

1. The underwriting agreement referred to under "Plan of Distribution" on page 7.
2. The asset purchase agreement referred to under "Purchase of Assets" on page 7.
3. The license agreements referred to under "Colonel Sanders Kentucky Fried Chicken Franchises" on page 3.
4. The amalgamation agreement referred to under "The Company" on page 3.
5. The sale and lease back agreement referred to under "Interest of Management in Material Transactions" on page 11.
6. The "Esplen Agreement" referred to under "Other Activities" on page 5.
7. The option agreement between the Company and John J. Leon referred to under "Interest of Management in Material Transactions" on page 11.
8. The employee stock option plan referred to under "Options to Purchase Shares" on page 11.

Copies of the foregoing contracts may be inspected at the offices of the Company, 2000 Jane Street, Toronto, Ontario during ordinary business hours during the course of primary distribution of the Shares offered hereby and for a period of 30 days thereafter.

Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid or payable by the Company and its subsidiaries to the directors and senior officers of the Company during the completed financial year of the Company ended December 31, 1968 was \$177,163 and for the further fiscal period ended July 11, 1969 was \$70,305.

The estimated cost to the Company and its subsidiaries in the financial year of the Company ended December 31, 1968 of all pension benefits proposed to be paid to the directors and senior officers of the Company in the event of retirement at normal retirement age was \$9,500.

Options to Purchase Shares

Under an agreement dated July 1, 1968 a director and senior officer of the Company was granted an option to purchase an aggregate of 25,000 common shares (as then constituted) in the capital of the Company on or before June 30, 1973, at a price of \$2.50 per share, on the basis of 5,000 of the shares covered by the option available for purchase in each of the 5 consecutive 12 month periods commencing July 1, 1968 and ending June 30, 1973. The option provides for (a) adjustments for subdivision, consolidation and reclassification of the common shares (as then constituted) of the Company, and (b) for its earlier termination in the event that the employment by the Company of the holder ceases prior to the expiry date of the options. In accordance with the provisions of the option agreement and after giving effect to the subdivision of common shares (as then constituted) of the Company which took place on May 22, 1969, the holder became entitled under such option to purchase an aggregate of 75,000 Shares. On May 26, 1969, options in respect of 15,000 Shares were exercised at and for an aggregate price of \$12,500.

The Company has established a stock option plan which provides for the granting of options to full-time officers and employees to purchase a maximum of 20,000 Shares of the Company at a price per share not less than 90% of the market price at the time of grant. The plan provides that options granted thereunder will be exercisable for periods of up to five years from the date of grant.

The granting of options for all of the 20,000 Shares provided for in the said plan have been authorized and are exercisable at \$6.00 per share. All of the said options expire on or before September 11, 1974 and were granted to 5 employees of the Company and/or its subsidiary including 2 directors and/or senior officers of the Company who received options to purchase an aggregate of 5,000 shares.

Prior Sale of Shares

During the twelve month period preceding the date of this prospectus the Company allotted and issued, as referred to under the heading "Options to Purchase Shares" on page 11, 15,000 Shares in its capital at a price of \$0.83 $\frac{1}{3}$ per share.

Interest of Management in Material Transactions

On May 21, 1968 Scott's sold all of the real property and improvements thereon then owned by it in the Province of Quebec, being six parcels of land at an aggregate sale price of approximately \$440,000 and all of the real property and improvements thereon then owned by it in the Province of Ontario, being thirteen parcels, at an aggregate sale price of approximately \$1,025,000, being in each case the value at which such real property and improvements was carried on the books of Scott's, to Bowles Enterprises (1968) Limited. 16 of such 19 properties had been purchased by Scott's within 3 years prior to such sale, and the sale by Scott's at such book value was considered by the board of directors of Scott's to have been at a price equivalent to the fair market value thereof. Concurrently, Bowles Enterprises (1968) Limited leased back to Scott's the real property and improvements thereon so sold for a period expiring May 20, 1978, renewable at the Company's option for a further period of 10 years. Reference is made to Note 5 to the financial statements of the Company on page 13 for a statement of the Company's obligations arising by virtue of its long-term leases including those with Bowles Enterprises (1968) Limited. Reference in this connection is made to "Real Property and Leases" and to "Material Contracts" on pages 6 and 10, respectively. Bowles Enterprises (1968) Limited is a company the shares of which are owned beneficially by Judine Company Limited as to 25%, by Langar Company Limited as to 25% and by Graymont Limited as to 50%. William J. Bushnell, George R. Gardiner and Helen D. Phelan are, variously, directors and/or officers of Bowles Enterprises (1968) Limited but have no beneficial interest therein. F. Ronald Graham is a director and officer of Bowles Enterprises (1968) Limited. Reference is made to "Principal Shareholders" on page 9.

On July 1, 1968 John J. Leon was granted an option to purchase an aggregate, after giving effect to the subdivision of the Company's common shares (as then constituted) which occurred on May 22, 1969, of 75,000 Shares in the capital of the Company on or before June 30, 1973 at a price of \$0.83 $\frac{1}{3}$ per share on the basis of 15,000 of the Shares covered by the option being available for purchase in each of

the 5 consecutive 12 month periods commencing July 1, 1968 and ending June 30, 1973. On May 26, 1969 Mr. Leon exercised his option in respect of 15,000 Shares at and for an aggregate purchase price of \$12,500.

George R. Gardiner, the Chairman of the Board and a director of the Company, is President and a director and shareholder of Gardiner, Watson Limited, one of the underwriters of the Shares offered by this prospectus. William John Bushnell, the Secretary-Treasurer and a director of the Company, is the Treasurer and a director and shareholder of Gardiner, Watson Limited. Orville Edmonds, a Vice-President, the Secretary, a director and shareholder of Gardiner, Watson Limited is the Assistant-Secretary of Judine Company Limited. Reference in this connection is made to "Principal Shareholders" on page 9.

Francis Ronald Graham, a Vice-President and director of the Company, is Chairman of the Board, a director and shareholder of Graham, Armstrong Securities Ltd., one of the underwriters of the Shares offered by this prospectus. Reference is made to "Principal Shareholders" on page 9 and to "Underwriters" on page 19.

John J. Leon, the President and a director of the Company, is a Vice-President, Treasurer, Assistant-Secretary and a director of Colonel Harland Sanders Kentucky Fried Chicken, Ltd., the licensor of the Colonel Sanders Franchises referred to under "Colonel Sanders Kentucky Fried Chicken Franchises" on page 3. Mr. Leon is also one of four trustees who are the registered owners of all of the shares of Colonel Harland Sanders Kentucky Fried Chicken, Ltd. and who hold the same in trust for the Colonel Harland Sanders Foundation (a Canadian charitable foundation) and The Colonel Harland Sanders Foundation, Inc. (a United States charitable foundation).

John E. Coles, the Vice-President and a director of the Company, has a 25% beneficial interest in 2 Take Out Shops featuring "Colonel Sanders Kentucky Fried Chicken" located at Val d'Or and Rouyn, respectively, in the Province of Quebec, both referred to under "Kentucky Fried Chicken Take Out Shops" on page 5.

Capital Expenditures

The establishment by the Company of new sites for Colonel Sanders Kentucky Fried Chicken Take Out Shops referred to under "Colonel Sanders Kentucky Fried Chicken Take Out Shops" on page 5 will require extensive capital expenditures during 1969, 1970 and in subsequent years. It is the policy of the Company either to lease or acquire the land upon which such Colonel Sanders Kentucky Fried Chicken Take Out Shops are located as the individual situation from time to time warrants. While a substantial portion of the existing Colonel Sanders Kentucky Fried Chicken Take Out Shops are presently located on leased premises, the Company is currently more often required to purchase land to obtain prime locations. It is estimated by the Company that the establishment of an average Colonel Sanders Kentucky Fried Chicken Take Out Shop in either of the Provinces of Ontario or Quebec involves the Company in a capital outlay, exclusive of land acquisition cost, of approximately \$80,000 for construction of the building and acquisition of the pertinent equipment. The cost of land upon which a Colonel Sanders Kentucky Fried Chicken Take Out Shop is located varies, depending on location, from \$50,000 to \$125,000. A Colonel Sanders Kentucky Fried Chicken Take Out Shop is completed in approximately three months from the date of commencement of construction. Capital expenditures planned by the Company for 1969, exclusive of the cost of the acquisition of the assets referred to under "Purchase of Assets" on page 7, are \$2,987,000 for land, buildings and requisite equipment and \$391,000 for miscellaneous renovations to existing properties.

It is anticipated by the Company that the portion of the proceeds of the issue of the Shares offered by this prospectus, used to augment the working capital of the Company, will be utilized during the next five years to make the capital expenditures necessary for the expansion, either by way of acquisition or enlargement, of the programs outlined under "Business of the Company" on page 3. Reference is made to "Use of Proceeds" on page 8.

Auditors, Transfer Agent and Registrar

The auditors of the Company are Messrs. Campbell, Lawless and Punchard, 8 King Street East, Toronto, Ontario.

The transfer agent and registrar for the Shares of the Company will be Montreal Trust Company at its principal offices in Montreal, Toronto and Calgary."

**Scott's Restaurants Co. Limited
and its subsidiary
Scott's Restaurants (Quebec) Limited**

**Consolidated Balance Sheet
and Pro Forma Consolidated Balance Sheet
as at May 18, 1969**

	Consolidated Balance Sheet	Pro Forma Consolidated Balance Sheet (note 1)
CURRENT		
Cash.....	\$ 159,019	\$4,063,035
Accounts receivable.....	49,218	49,218
Inventory, at lower of cost and replacement cost.....	155,620	183,869
Deposits and prepaid expenses.....	201,342	201,342
Special refundable tax.....	19,637	19,637
	<u>584,836</u>	<u>4,517,101</u>
OTHER		
Franchises—at cost.....	—	500,000
Mortgage receivable 7% October 10, 1978.....	25,452	25,452
	<u>25,452</u>	<u>525,452</u>
FIXED, AT COST		
Land.....	112,500	195,235
Buildings.....	570,380	995,280
Equipment.....	2,176,310	2,285,973
Motor vehicles.....	159,047	166,984
Leasehold improvements.....	623,031	623,031
Construction in progress.....	157,695	157,695
	<u>3,798,963</u>	<u>4,424,198</u>
Less accumulated depreciation.....	1,647,562	1,647,562
	<u>2,151,401</u>	<u>2,776,636</u>
	<u><u>\$2,761,689</u></u>	<u><u>\$7,819,189</u></u>

Approved on behalf of the Board

(signed) "J. J. LEON", Director

(signed) "GEORGE GARDINER", Director

The notes to the Financial Statements shall be read as an integral part hereof.

**Scott's Restaurants Co. Limited
and its subsidiary
Scott's Restaurants (Quebec) Limited**

Liabilities

	Consolidated Balance Sheet	Pro Forma Consolidated Balance Sheet (note 1)
CURRENT		
Accounts payable and accrued expenses	\$1,312,418	\$1,312,418
Income taxes payable.....	<u>373,264</u>	<u>373,264</u>
	<u>\$1,685,682</u>	<u>\$1,685,682</u>

Shareholders' Equity

CAPITAL STOCK (notes 4 and 8).....	135,856	5,233,356
Retained earnings.....	<u>940,151</u>	<u>900,151</u>
	<u>1,076,007</u>	<u>6,133,507</u>
	<u>\$2,761,689</u>	<u>\$7,819,189</u>

Auditors' Report

To the Directors

SCOTT'S RESTAURANTS CO. LIMITED

We have examined the consolidated balance sheet and pro forma consolidated balance sheet of Scott's Restaurants Co. Limited and its subsidiary company as at May 18, 1969 and the combined statements of profit and loss and retained earnings of Scott's Restaurants Co. Limited, its predecessor companies and its subsidiary company for the five years and twenty weeks then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the consolidated balance sheet and the combined statements of profit and loss and retained earnings present fairly the financial position of the companies as at May 18, 1969 and the results of their operations for the five years and twenty weeks then ended, in accordance with generally accepted accounting principles consistently applied.

We further report that in our opinion the pro forma consolidated balance sheet presents fairly the financial position of the companies as at May 18, 1969, in accordance with generally accepted accounting principles and after giving effect to the transactions set forth in note 1 to the financial statements.

Toronto, Ontario
September 12, 1969

(signed) "CAMPBELL, LAWLESS & PUNCHARD"
Chartered Accountants

Scott's Restaurants Co. Limited

Combined Statement of Profit and Loss for the five years and twenty weeks ended May 18, 1969 (Note 3)

	Year ended December 31			Twenty weeks ended May 21 1968		May 18 1969
	1964	1965	1966	1967	1968	
Sales.....	\$ 3,940,623	\$ 5,180,540	\$ 6,863,291	\$ 9,295,392	\$11,882,891	\$ 3,831,470
Operating profit before depreciation..	\$ 368,827	\$ 570,319	\$ 701,065	\$ 1,197,937	\$ 1,852,596	\$ 480,751
Provision for depreciation.....	139,633	137,607	191,460	235,489	250,200	93,656
Operating profit.....	229,194	432,712	509,605	962,448	1,602,396	387,095
Income from investments.....	67,332	29,953	11,137	14,172	—	—
Profit before taxes on income.....	296,526	462,665	520,742	976,620	1,602,396	387,095
Provision for taxes.....	144,050	220,785	265,315	499,853	839,634	196,612
Net profit before extraordinary items	152,476	241,880	255,427	476,767	762,762	190,483
Gain on sale of investments, land and buildings.....	208,247	31,267	—	—	—	—
Net profit.....	\$ 360,723	\$ 273,147	\$ 255,427	\$ 476,767	\$ 762,762	\$ 190,483
						\$ 342,690

The notes to the financial statements shall be read as an integral part hereof.

Scott's Restaurants Co. Limited

Combined Statement of Retained Earnings, for the five years and twenty weeks ended May 18, 1969 (Note 3)

	Year ended December 31					Twenty weeks ended May 18, 1969
	1964	1965	1966	1967	1968	
Balance beginning of year.....	\$ 857,559	\$1,218,282	\$207,623	\$463,050	\$ 899,817	\$597,461
Net profit for the year.....	360,723	273,147	255,427	476,767	762,762	342,690
	1,218,282	1,491,429	463,050	939,817	1,662,579	940,151
DIVIDENDS						
Preference shares.....		94,160			40,700	
Common shares.....		1,189,646		40,000	1,024,418	
Total.....		1,283,806		40,000	1,065,118	
Balance end of year	<u>\$1,218,282</u>	<u>\$ 207,623</u>	<u>\$463,050</u>	<u>\$899,817</u>	<u>\$ 597,461</u>	<u>\$940,151</u>

The notes to the financial statements shall be read as an integral part hereof.

**Scott's Restaurants Co. Limited
and its subsidiary
Scott's Restaurants (Quebec) Limited**

**Notes to the Financial Statements
as at May 18, 1969**

1. Pro Forma Consolidated Balance Sheet

The pro forma consolidated balance sheet gives effect to the following:

- (a) The issue of Supplementary Letters Patent on May 22, 1969: decreasing the authorized capital by cancellation of the authorized 18,600 preference shares; subdividing each existing common share without par value into three shares without par value, and increasing the authorized capital by the creation of an additional 500,000 shares without par value ranking on a parity in all respects with the 4,500,000 existing shares after sub-division.
- (b) The issue and sale pursuant to an underwriting agreement dated September 12, 1969 of 900,000 shares without par value in the capital of the Company for a cash consideration of \$5,085,000.
- (c) The exercise on May 26, 1969 of the option to purchase 15,000 shares at a price of \$0.83 $\frac{1}{3}$ per share by an officer of the Company.
- (d) The acquisition as at July 14, 1969 of the fixed assets, inventory and franchises of Foster's Restaurants Limited and others connected therewith, at the following values:

Land.....	\$ 82,735
Buildings.....	424,900
Equipment.....	109,663
Motor vehicles.....	7,937
Franchises.....	500,000
Inventories.....	28,249
	<u>\$1,153,484</u>

This acquisition was effected by means of interim borrowings from the Company's bankers, to be repaid of the proceeds of the issue referred to in (b) above.

- (e) The payment and charge to retained earnings of the expenses of this issue, estimated at \$40,000.

2 Basis of Presentation

The consolidated balance sheet and consolidated pro forma balance sheet include the assets and liabilities of the Company's subsidiary, Scott's Restaurants (Quebec) Limited.

The accompanying combined statements of profit and loss and retained earnings for the five years and twenty weeks ended May 18, 1969 relate to the operations of Scott's Restaurants Limited and an associated company Scott's Catering Limited which were amalgamated on May 21, 1968 under the name of Scott's Restaurants Co. Limited, and to its subsidiary Scott's Restaurants (Quebec) Limited, incorporated October 26, 1965.

3. Restatement of Annual Profit and Loss and Retained Earnings

The annual statements of profit and loss and retained earnings of Scott's Restaurants Co. Limited have been restated in the accompanying combined statements of profit and loss and retained earnings to reflect in profit and loss of the appropriate year, gains on sale of fixed assets and investments, income tax re-assessments, fixed asset and depreciation adjustments, and additional Ontario Retail Sales Tax.

4. Options

An option has been granted to an officer of the Company to acquire 25,000 common shares at \$2.50 each (75,000 shares at \$0.83 $\frac{1}{3}$ per share subsequent to the subdivision of each common share into three shares without par value on May 22, 1969). They are exercisable 5,000 common (15,000 new) shares each year from July 1, 1968 to June 30, 1973. All of the options were outstanding at May 18, 1969.

On May 26, 1969 the option above referred to was exercised to the extent of 5,000 common (15,000 new) shares.

In addition, on September 12, 1969, options were granted to other officers and employees of the Company to acquire 20,000 shares at \$6.00 each, exercisable on or before September 11, 1974.

5. Long Term Leases

The Company as at May 18, 1969 had entered into leases for periods expiring not earlier than 5 years from such date for a number of its properties requiring minimum annual rental payments in each of the years 1969 to 1977 inclusive of \$197,500.

Certain of the leases provide for additional rentals, calculated with reference to sales in excess of stipulated amounts. The aggregate of such additional rentals incurred and charged to expense in the Company's 1968 financial year amounted to \$180,000.

6. *Bank Indebtedness*

Bank indebtedness, as it may be required from time to time, is collaterally secured by the pledge to the Company's bankers of a 7¼% Demand Debenture in the face amount of \$500,000. This Debenture is secured by a first floating charge on the Company's undertaking, property and assets.

7. *Capital Commitments*

The Company was committed as at May 18, 1969 to capital expenditures of approximately \$771,000 in connection with its 1969 expansion programme.

8. *Capital Stock*

Consolidated Balance Sheet

Authorized

18,600 5% non-cumulative redeemable, non-voting preference shares with a
par value of \$10 each
1,500,000 common shares without par value

Issued

1,054,420 common shares \$ 135,856

Pro Forma Consolidated Balance Sheet

Authorized

5,000,000 shares without par value

Issued

4,078,260 shares \$5,233,356

Certificates

Dated September 12, 1969

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, and under The Securities Act (Quebec).

(signed) "J. J. LEON"
President and Chief
Executive Officer

(signed) "E. V. GRAHAM"
Chief Financial
Officer

On behalf of the Board

(signed) "GEORGE GARDINER", Director

(signed) "J. E. COLES", Director

Directors

(signed) "GEORGE GARDINER", Director

(signed) "J. J. LEON", Director

(signed) "F. R. GRAHAM", Director

(signed) "J. E. COLES", Director

(signed) "HELEN D. PHELAN", Director

(signed) "F. R. JOHNSON", Director

(signed) "W. J. BUSHNELL", Director

S. A. HAYDEN, Director
by his agent, (signed) "W. J. BUSHNELL"

R. A. STEVENS, Director
by his agent, (signed) "W. J. BUSHNELL".

Underwriters

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, and under The Securities Act (Quebec).

GARDINER, WATSON LIMITED

GRAHAM, ARMSTRONG SECURITIES LTD.

By: (signed) "J. C. EVANS"

By: (signed) "O. R. EDMONDS"

By: (signed) "E. H. McATEER"

The following includes the names of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of Gardiner, Watson Limited: George R. Gardiner, J. J. C. Evans and W. J. Bushnell.

Graham, Armstrong Securities Ltd. is beneficially wholly-owned by Oswald Drinkwater & Graham Ltd. The following includes the names of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of Oswald Drinkwater & Graham Ltd.: F. R. Graham, L. S. Jackson, E. H. McAteer and J. B. Weir.

With regard to each of Gardiner, Watson Limited and Graham, Armstrong Securities Ltd., reference is made to the heading "Interest of Management in Material Transactions" on page 11.



15. TRANSFER FEE

No fee is chargeable on the transfer of the Shares, other than security transfer tax.

16. AUDITORS

The auditors of the Company are Messrs. Campbell, Lawless & Punchard, 8 King Street East, Toronto, Ontario.

17. DIRECTORS AND OFFICERS

Reference is made to the heading "Directors and Officers" on page 8 of the Prospectus.

CERTIFICATE

Pursuant to a resolution duly passed by its Board of Directors, Scott's Restaurants Co. Limited hereby applies for listing of the above-mentioned Shares on The Toronto Stock Exchange and the undersigned officers hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

SCOTT'S RESTAURANTS CO. LIMITED



By "J. J. LEON",
Director
By "JOHN E. COLES",
Director

CERTIFICATE OF UNDERWRITER

To the best of our knowledge, information and belief all of the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

GARDINER, WATSON LIMITED

By "O. R. EDMONDS"

GRAHAM, ARMSTRONG SECURITIES LTD.

By "E. H. McATEER"

DISTRIBUTION OF COMMON STOCK AS OF SEPTEMBER 30, 1969

Number		Shares
6	 Holders of 1 — 24 share lots	6
31	 " " 25 — 99 " "	1,530
265	 " " 100 — 199 " "	27,150
141	 " " 200 — 299 " "	28,450
56	 " " 300 — 399 " "	17,000
17	 " " 400 — 499 " "	6,800
117	 " " 500 — 999 " "	62,000
101	 " " 1000 — up " "	3,935,324
734	Shareholders	Total shares 4,078,260

